

CMS Conference Call

NOTES

Date: May 9, 2006

Time: 1:00 p.m.

Where: Capitol Commons – Conference Room 7C
400 S. Pine
Lansing, MI 48933

Conference Call Attendees: **CMS Central Office:** Linda Tavener, Mary Cieslicki, Sharon Brown, Judi Wallace, Sharon Brown, Chris Thompson

CMS Regional Office:

CMS Local Office: Julie Greenway, Tom Caughey

Department of Community Health: Ed Kemp, Toni Hornberger, Linda Sowle, Dave Stirdivant, Pam O'Farrell, Nancy Bishop

Department of Education: Jane Reagan

ISD Representatives: Superintendent Jeff Siegel, Terry Latimer

Highlighted areas are tasks to be completed.

Purpose of Call:

- To discuss the draft reimbursement methodology clarification document and questions from CMS.

Questions from CMS Central Office

SE-4096 questions -

1. On page 2 of the SE-4096 cost report, item #3 identifies the total expenditures from Federal grant sources, IDEA grants, and other direct grants from the Federal government. Does this amount also include any expenditures paid for by State grants?

Answer: No expenditures paid for by state grant dollars are included in page 3 of the 4096.

CMS Response: CMS requests confirmation that the report excludes any amounts used as State match for other programs or revenue sources.

2. On the proposed SE-4096 cost report that breaks out the Medical personnel costs, are the support personnel identified on lines 17e, 18b, 19c, 20b and 21c included in the Medicaid allowable costs?

Answer: No. The state is only picking up the clinician cost and not the support personnel costs. On the lines that have a function code and object code identified in the description column are picked up for Medicaid cost settlement purposes.

3. Are the salaries, benefits, and purchased services identified on a cash or accrual basis?

Answer: Per the Michigan Public School Accounting manual, page 3, the SE-4096 expenditure reporting is done on an accrual basis.

4. Column 5 (Purchased Services) includes object code 3130 that is identified as Professional & Technical Services – Contracted. This category is identified as audiological, medical, psychologist or other student services. What is included as "other student services"?

Answer: These would be payroll, contracted medically related services.

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CMS Response: CMS requests confirmation that Object Codes 3130 and 3190 in column 5 represent the cost of contractual practitioners. If this is not correct, please clarify.

5. Column 5 (Purchased Services) also includes object code 3120 (Local Travel between Buildings). Is this only travel necessary for the professional to perform their job?

Answer: Yes. This is only official travel between schools.

6. Column 5 (Purchased Services) also includes object codes 4120 (Equipment Repair) and 4220 (Equipment Rental). What costs are included in these categories?

Answer: Only the costs associated with the medical professional would be claimed. Examples would be the renting or repairing of wheelchairs, hearing aids etc.

CMS Response: CMS would only allow equipment costs that are specifically identified as *medical* equipment only. This should ideally be done by defining a separate object code as medical equipment. During the call, CMS emphasized that it would not permit the State to capture medical equipment expenses by applying a percentage to a cost pool that includes non medical costs.

During our telephone conference CMS indicated that Object Code 3610 in Column 5 may not be included in the rate. The Object Codes for Columns 6 and 8 were discussed. Regarding Column 6 Object Codes 5110 and 5410 would not permit their inclusion in the rate. Only medical or clinical periodicals could be included. Object Codes 7410 and 7910 in Column 8 may not be included in the rate. All of the Object Codes that CMS has indicated may not be included in the rate represent costs that are either indirect or non medical.

SE-4094 questions –

CMS Response: The costs in the following items (#8-10) may NOT be included in developing the transportation rate.

7. How are the total miles (line 29) and total gallons of fuel consumed (line 31) allocated between regular transportation and special ed transportation?

Answer: These are not expenditures lines, thus are not used in our methodology.

8. Line 3 (Secretarial/Clerical and line 5 (Other Support) will not be allowed.

Answer: The costs included on these lines are specific to the operation of the buses and would include such things as dispatchers, garage employees, mechanics etc. that would be necessary for the delivery of specialized transportation services.

CMS Response: The transportation costs would have to be calculated on a per trip basis, not in the aggregate. There would not be the application of the direct service % or the MER. The formula would be "Total allowable transportation costs multiplied by the ratio of Medicaid trips to Total trips.

9. Lines 8-11 (Local Expenses, Telephone/Postage, Other Utilities and Non-Vehicle Purchases Services), what is included in these lines?

Answer: This would include such things as training to do bus logs, bus route schedules, contacts with parents regarding specialized transportation etc.

10. Line 24 (Office Supplies) will not be allowed.

Answer: These are office supplies for Specialized Transportation services only. An example would be the paper for the bus logs, schedules etc.

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Overall methodology questions/issues –

11. It was mentioned that for both the direct services and transportation costs, CMS wants to see a “Medicaid specific cost report” or summary of only the cost being picked up for the Medicaid cost settlement calculation. This should also identify any percentages being applied and detail the calculations being made to the data.

Answer: Specific forms showing this information have not yet been developed. This is all part of the cost settlement process and until we have an approved methodology we would not move forward into the details of this process. Once the methodology is approved MDCH will develop a process, and hire staff to perform this function. Interim payments for the ISDs will be issued through our automated payment system. Cost data could be accumulated in a database or via a spreadsheet application whichever will be most applicable for the data received. Interim payments will be compared to the actual cost accumulated by ISD. Dave Stirdivant who is the person on the workgroup from our cost settlement area is out of the office until May 8, 2006. We will discuss this issue with him and get back to CMS.

CMS Response: We understand that after CMS and MI agree upon the scope of cost that can be included the State will develop an actual cost settlement document for direct medical services that will show the application of the time study results to total cost and the application of the MA eligibility ratio against total SBS direct costs. A similar cost settlement document must be developed for the transportation costs. These must calculate a per trip cost by applying the ratio of Medicaid trips to Total trips against the total cost allowed for transportation. These documents and the calculation used must be clearly shown before approval of a SPA can be issued.

12. I informed the state that steps 5-8 of the reimbursement methodology (Non ICR Administrative Costs) would not be allowed.

Answer: The workgroup will discuss this issue and MDCH will bring it before management.

CMS Response: CMS reiterates that Steps 5-8 as presented in the FFS Methodology Work Paper of April, 2006 would not be permitted for the purpose of calculating the Medicaid reimbursable costs. These steps must be excluded from the final cost calculation.

CMS permits States to use either the unrestricted or restricted cognizant agency indirect cost rate as approved by the Federal Department of Education.

Other Issues Discussed:

TCM and Personal Care

CMS Comment: CMS would permit the State to include TCM services in costs to be certified. Regarding personal care services, these must be services recognized by Medicaid and delivered by Medicaid qualified practitioners. This policy applies to all types of practitioners included in the direct medical services rate.

Billing through MMIS

CMS Comment: As discussed during today's meeting CMS is in the process of evaluating whether billing through the MMIS would be required when the non-federal share is funded by CPEs. We encourage MI to provide in writing their concerns and any alternative proposal for tracking visits before Friday May 12, 2006. It would be helpful to have in the State's own words its position on this matter to share with CMS leadership.

Meeting Notes

SE-4096 Cost Report:

- CMS CO would like more clarification in writing that there are no State Grant dollars included on page 3 of the SE-4096 under the costs we are picking up.
 - They want to make sure that none of the costs we are reporting include state grant, federal grant or private grant dollars.
 - MDCH will clarify the response and respond to CMS.
- CMS CO would like further clarification of what types of services would be included under the 3130 object code.
 - Jeff Siegel explained that these would be non employee contracted practitioner services.
 - MDCH will further clarify and respond to CMS.
- CMS CO feels that the costs reported under object code 4120 & 4220 should only be those that are medical related. The cost reported here should not include any costs that are primarily for instruction or education.
 - USDOE feels that the ICR is more than adequate to cover these types of costs.
 - MDCH will further clarify and respond to CMS.
- CMS CO does not feel the costs in column 6 (Supplies), column 8 (Other Expenditures) are all medically related and would only allow those costs that are.
 - MDCH will meet with management to discuss whether to pursue this further.
- CMS would like to see:
 - A spreadsheet for each LEA for the cost that are being counted. The spreadsheet should reflect the position, total salaries and benefits.
 - An example of the data source at the local level.
 - PCG will supply detail that supports the SE-4096

Non ICR Administrative Costs:

- CMS Central Office does not agree with the inclusion of the non ICR administrative cost, capital or equipment costs.
 - MDCH will follow up with management on this issue.

Transportation:

- CMS CO does not want to allow lines 3 or lines 8-11 on the SE-4094.
 - MDCH will counter this request with our reasoning why these costs should be included.
- CMS CO would like to see cost allocated per trip not at the aggregated.
- An example of the formula they would like to see would be:

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- Total Specialized Transportation cost X Indirect Cost Rate X % of Medicaid trips (Medicaid trips divided by Total Trips)

Reconciliation:

- CMS is under the understanding that within 6 months after the end of the year the settlements will be done and within 60 days after that the reconciliation.
 - Service documentation will still need to be maintained.
 - There will have to be a mechanism for an audit trail.
 - CMS would like to see some type of documentation thru MMIS

Next Steps:

- Additional clarifications will be sent to CMS.
- A write up of the cost settlement process and justification for the overall cost settled process will be sent to CMS Local Office by 5/12/06.